

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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April 13, 2006

Mr. Tony Masters, Controller
Clarendon Memorial Hospital
10 Hospital Street
Post Office Box 550
Manning, South Carolina 29102

Re: AC# 3-WND-J2 – Clarendon Memorial Hospital d/b/a Windsor Manor

Dear Mr. Masters:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink that reads "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/ms

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**CLARENDON MEMORIAL HOSPITAL
D/B/A WINDSOR MANOR**

SUMMERTON, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-WND-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 23, 2005

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Clarendon Memorial Hospital d/b/a Windsor Manor, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Clarendon Memorial Hospital d/b/a Windsor Manor is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

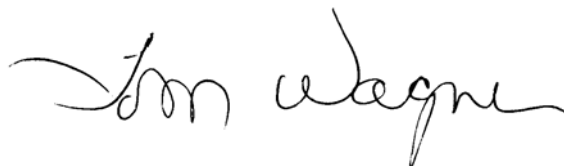
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Clarendon Memorial Hospital d/b/a Windsor Manor, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Clarendon Memorial Hospital d/b/a Windsor Manor dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 23, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Tom Wagner", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

WINDSOR MANOR
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-WND-J2

	10/01/03- <u>09/30/04</u>
Interim Reimbursement Rate (1)	\$113.14
Adjusted Reimbursement Rate	<u>109.09</u>
Decrease in Reimbursement Rate	\$ <u><u>4.05</u></u>

(1) Interim reimbursement rate from the DH&HS letter dated May 3, 2005.

WINDSOR MANOR
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-WND-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$54.80	\$ 67.92	
Dietary		13.26	11.76	
Laundry/Housekeeping/Maintenance		<u>10.55</u>	<u>10.49</u>	
Subtotal	<u>\$6.31</u>	78.61	90.17	\$ 78.61
Administration & Medical Records	<u>\$.93</u>	<u>12.32</u>	<u>13.25</u>	<u>12.32</u>
Subtotal		90.93	<u>\$103.42</u>	90.93
<u>Costs Not Subject to Standards:</u>				
Utilities		1.59		1.59
Special Services		-		-
Medical Supplies & Oxygen		2.12		2.12
Taxes and Insurance		1.94		1.94
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$96.58</u>		96.58
Inflation Factor (4.70%)				4.54
Cost of Capital				6.22
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				.93
Cost Incentive				6.31
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.49)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$109.09</u>

WINDSOR MANOR
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,272,075	\$ -	\$ 13,635 (6)	\$1,258,440
Dietary	310,287	-	5,700 (1)	304,587
Laundry	60,393	942 (3)	-	61,335
Housekeeping	114,108	-	-	114,108
Maintenance	99,658	-	32,918 (6)	66,740
Administration & Medical Records	346,086	-	63,062 (6)	283,024
Utilities	39,055	-	2,200 (2) 415 (6)	36,440
Special Services	-	-	-	-
Medical Supplies & Oxygen	55,273	-	6,501 (6)	48,772
Taxes and Insurance	45,208	-	570 (6)	44,638
Legal Fees	-	-	-	-
Cost of Capital	149,608	-	2,824 (3) 3,646 (4) 353 (5)	142,785
Subtotal	2,491,751	942	131,824	2,360,869

WINDSOR MANOR
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	59,622	-	-	59,622
Nonallowable	88,552	5,700 (1) 2,200 (2) 1,882 (3) 3,646 (4) 353 (5) <u>117,101 (6)</u>	-	219,434
Total Operating Expenses	<u>\$2,639,925</u>	<u>\$131,824</u>	<u>\$131,824</u>	<u>\$2,639,925</u>
Total Patient Days	<u>22,966</u>	<u>-</u>	<u>-</u>	<u>22,966</u>
Total Beds	<u>64</u>			

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Dietary To disallow expense due to a lack of adequate documentation HIM-15-1, Section 2304	\$5,700	\$ 5,700
2	Nonallowable Utilities To reclassify expense to the proper cost center HIM-15-1, Section 2304	2,200	2,200
3	Accumulated Depreciation Nonallowable Other Equity Laundry Fixed Assets Cost of Capital To adjust fixed assets and related depreciation HIM-15-1, Section 2304	6,676 1,882 7,438 942	14,114 2,824
4	Nonallowable Cost of Capital To reclassify expense to comply with capital cost policy State Plan, Attachment 4.19D	3,646	3,646
5	Nonallowable Cost of Capital To adjust capital return State Plan, Attachment 4.19D	353	353

WINDSOR MANOR
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	117,101	
	Nursing		13,635
	Maintenance		32,918
	Administration		63,062
	Medical Supplies		6,501
	Utilities		415
	Taxes and Insurance		570
	To adjust home office/hospital cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$ <u>145,938</u>	\$ <u>145,938</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WINDSOR MANOR
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.55013</u>
Deemed Asset Value (Per Bed)	39,828
Number of Beds	<u>64</u>
Deemed Asset Value	2,548,992
Improvements Since 1981	171,272
Accumulated Depreciation at 9/30/02	<u>(484,162)</u>
Deemed Depreciated Value	2,236,102
Market Rate of Return	<u>.0561</u>
Total Annual Return	125,445
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	125,445
Depreciation Expense	19,602
Amortization Expense	-
Capital Related Income Offsets	(2,262)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	142,785
Total Patient Days (Actual)	<u>22,966</u>
Cost of Capital Per Diem	\$ <u><u>6.22</u></u>

WINDSOR MANOR

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2002
AC# 3-WND-J2

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.33</u>
Reimbursable Cost of Capital Per Diem	\$6.22
Cost of Capital Per Diem	<u>6.22</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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